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FOR IMMEDIATE RELEASE
June 7, 2005

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**STATE UTILITY REGULATOR JOINS REGIONAL COUNTERPARTS
IN URGING FERC TO REJECT OR MODIFY ISO-NEW ENGLAND PLAN
THAT COULD COST ELECTRICITY CUSTOMERS \$13 BILLION**
Plan Doesn't Ensure Adequate Future Generating Capacity

Utility regulators in the six New England states are fighting a plan that could cost the region's utility customers as much as \$13 billion over five years while simultaneously failing to ensure that enough electricity is available to meet future needs.

A proposal made to the Federal Energy Regulatory Commission ("FERC") by ISO-New England ("ISO-NE"), which operates the region's electricity grid. Known as "LICAP" – for "Locational Installed Capacity," would create a new wholesale charge that would ultimately be paid by retail electric customers. The revenues from the LICAP charges would go to the owners of generation facilities as an incentive for them to build new generation capacity and maintain existing generation units.

The New England Conference of Public Utilities Commissioners ("NECPUC") recently opposed the LICAP scheme. They argue that the LICAP mechanism proposed by ISO-New England: (1) is unlikely to result in new generation investment; (2) does not provide any assurance of long term reliability benefits; (3) will be extremely costly to New England ratepayers, and (4) charges consumers rates much higher than necessary to meet the accepted North American Electric Reliability Council reliability standards.

Massachusetts Department of Telecommunications and Energy Chairman Paul G. Afonso said, "The challenge before the FERC is to ensure that there are adequate quantities of electric generation supply to serve customers reliably while keeping costs as reasonable as possible. I am

"more"

optimistic that a fair balance can be found to ensure that our electricity needs will be met for years to come, but now is not the time to burden our consumers with additional costs without measurable benefits.”

NECPUC President Thomas B. Getz, Chairman of the New Hampshire Public Utilities Commission, indicated that some estimates of the ISO-New England proposal could increase the electric bill of the average residential customer in New England by as much as \$190 a year over the next five years, producing an effect of \$96/year/per residential customer in the first year to \$290/year in the fifth year. Other estimates are even higher.

The six states’ commissioners share FERC’s view about the paramount importance of system reliability but believe the LICAP approach currently under consideration will needlessly overcharge consumers without providing corresponding benefits. If FERC concludes that it should adopt the LICAP proposal, it should (1) change several features so that the mechanism would help New England meet accepted reliability standards while saving consumers billions of dollars and (2) adopt a mechanism that would require regular evaluation and review of the program.

NECPUC commissioners continue to search for a reasonable means of ensuring adequate capacity is available in the future and will further discuss the matter with ISO-New England’s senior management later this month.

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